



Kingdom of the Netherlands



CONFERENCE REPORT

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CONFERENCE ON SUSTAINABLE SOURCING
IN THE GARMENT SECTOR



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Advancing sustainable sourcing through promoting multi-stakeholder cooperation and presenting best practices

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EXECUTIVE SUMMARY

On 29 September 2016, the conference on Sustainable Sourcing in the Garment Sector (SSGS) took place in Dhaka, Bangladesh. SSGS convened 380 high-profile participants from over 190 organizations, to discuss sustainable versus unsustainable sourcing and showcase new sourcing practices that would be beneficial to all stakeholders in the garment value chain. Amongst the representatives were officials from the Government of Bangladesh, Corps Diplomatique, NGO's, International Organizations, academics, international buyers and brands, as well as suppliers.

The objective was to emphasize the need to advance a common understanding on sustainable sourcing practices in the garment sector, through promoting multi-stakeholder cooperation and presenting best practices. The conference was intended as a follow-up to the Asian Living Wage Conference (ALWC), which was organized by the governments of the Netherlands, Germany and Pakistan in May 2016. Whilst ALWC specifically addressed the possibilities of realizing living wages through social dialogue, SSGS emphasized the need to develop a better understanding of sustainable sourcing practices involving both buyers and suppliers.

The business models and purchasing practices of international brands may carry social and environmental risks in their own operations as well as in their supply chain. The OECD has indicated that enterprises with numerous and highly diversified product lines are generally more exposed to a wider range of risk due to the variance in materials and production processes. When brands produce numerous cycles or seasons per year, products are taken from design to production on shorter time frames. In turn, these short time frames may contribute to adverse impacts such as excessive overtime, forced overtime and unauthorized outsourcing. In addition, numerous product cycles can lead to increased use of materials and resources, eventually resulting in a larger water and waste footprint.

Bangladesh is one of the leading sourcing destinations for garments in the world. During the past years, it has shown an enormous amount of resilience in terms of addressing issues like child labour, work place safety and environmental sustainability. To keep its economic momentum, there is a growing need for long-term partnerships and collaboration between buyers and suppliers. The conference sessions highlighted the urge to replace the presence of so-called price and lead-time squeezes with a fair model for pricing and transparency. It was asserted that 'sustainable price squeezes' need to be achieved through advancing technology, productivity and vertical integration. Hence, for Bangladesh to compete with other producing countries, more attention is needed on higher production quality and the diversification of the Bangladesh product basket, market and structure. Whilst suppliers should invest in developing the capacity of their workers and mid-level management, international brands and buyers should invest in better strategic partnerships by sharing their knowledge and expertise on innovation and fashion design. Lastly, whilst Bangladesh has the ambition to grow its future export to 50 billion USD by 2021, speakers and participants all agreed an employment figure needs to be added to this target. To sustain long-term improvements throughout the supply chain, it is imperative to include trade unions in the discussions surrounding stability, productivity and efficiency.

MAJOR FINDINGS

Collaborative sourcing

Further improvements with regard to social and environmental compliance cannot be seen in isolation from sustainable sourcing practices. All participants recognized the power of investments in the industry and the need for shared responsibility. Recent research has shown that the Bangladeshi garment industry is experiencing a 'squeeze' on lead time and cost price which has minimized the marginal profits of factories, i.a. resulting in adverse labour conditions. It is imperative that these issues are translated to 'sustainable sourcing practices as a business solution'. Sustainable 'price squeezes' should be achieved through advancing technology, productivity, and vertical and horizontal integration, rather than through the reduction of cost price. In other words, there is a growing need to move away from FOB (Free on Board) cost transparency to full chain transparency. Key performance indicators set out by international brands need to include sustainability and pricing standards, in order to assist brands in identifying key issues for sustainable development.

By moving earlier into the collaboration process, international brands and buyers are able to advance innovation management with suppliers, and integrate demand and supply planning. Reliability in the production and sourcing process is critical for developing high-quality products that are made under ethical and high manufacturing standards. Furthermore, with support of the Government of Bangladesh, remediation activities and investments in environmental sustainability should be made more accessible by simplifying regulatory methods regarding financial policies, especially for obtaining foreign currency loans.



Knowledge and capacity building

For Bangladesh to compete with other producing countries, more attention is needed to higher production quality and the diversification of the Bangladesh product basket, market and structure. Both buyers and suppliers should utilize the benefits of the presence of a relatively large labour capacity and an eager learning generation. To produce high-value products, it is important to bring in expert knowledge in various stages of the production process. Whilst suppliers should invest in developing the capacity of their workers and mid-level management, international brands and buyers should invest in more strategic partnerships by sharing their knowledge and expertise on innovation and fashion design. Furthermore, the discussion surrounding knowledge and capacity building should also extend to the contours of infrastructural issues. Whilst adequate infrastructural developments have been proven to reduce transportation costs and time, they may also assist in attracting foreign direct investments which in turn could help the garment industry in becoming more sustainable.

Social dialogue and labour rights

Significant improvements need to be made on advancing social dialogue. All speakers recognized the right to freedom of expression and the right of association of factory workers. To sustain long-term improvements throughout the supply chain, it is imperative to include trade unions in the discussions surrounding stability, productivity and efficiency. Whilst the government of Bangladesh has set an ambitious target of doubling its export to 50 billion USD by 2021, it is equally important to attach an employment figure to this target. International brands and buyers should be more transparent about their pricing practices and performance indicators, to enable social dialogue with manufacturers and trade unions. In short, setting up collaboration models that move away from pricing as the cause of all challenges in the garment supply chain, opens up more space to deal with labour and competence development, as well as water and waste management.

FOLLOW-UP ACTIVITIES

International training course(s) on collaborative sourcing

With support of the Government of the Netherlands, the International Apparel Federation will develop a training course focused on collaborative sourcing. The course will be designed to advance the knowledge of both buyers and suppliers regarding the commercial, financial, and legal aspects of collaborative sourcing methods in the garment value chain. The rationale for developing the training course is based on the notion that closer collaboration throughout the garment value chain improves efficiency and effectiveness of the production process, therefore increasing the profitability of both buyers and manufacturers. A collaborative sourcing process also reduces the likelihood of unacceptable labour conditions in the supply chain, whilst at the same time creating more opportunity to implement living wages. The course is aimed at higher or middle level management of both buying companies and manufacturing companies and will be implemented in 2017.

Round table on living wage

On 25 and 26 May 2016, the Asian Living Wage Conference (ALWC) took place in Islamabad, Pakistan, to promote living wages through social dialogue and a tripartite 'plus' approach. Governments and social partners were asked to open up the dialogue to engage with international buyers to build consensus on wage policies. Following on from the ALWC, the Embassy of the Kingdom of the Netherlands in Dhaka will organize a round table on living wages specifically focused on the garment sector of Bangladesh. High-profile stakeholders from the garment sector will be present to discuss possible steps for realizing living wages through short-term, medium-term, and long-term activities.



Research on the sourcing dynamics in the Bangladesh RMG Sector

In order to have a constructive debate on the current sourcing practices in the garment industry, more research is needed on reliable information and production data. The Embassy of the Kingdom of the Netherlands in Dhaka is currently funding part of a research project executed by Dr. Mark Anner, Associate Professor at Pennsylvania State University, on the historic and current sourcing dynamics in the global apparel industry, with a specific focus on Bangladesh. The goal is to better understand the root causes of common decent work deficits

closer collaboration throughout the garment value chain improves efficiency and effectiveness of the production process, therefore increasing the profitability of both buyers and manufacturers.

in the sector such wages, hours of work, building safety and workers' rights. This project combines time series data on the global apparel sector with an original survey on sourcing dynamics in the Bangladesh RMG sector. Global data will look at the price paid per volume for apparel imported into the United State and European Union countries (EU-28). Sourcing dynamics in Bangladesh are documented through a survey conducted through factory visits between March 2016 and March 2017. The survey allows the examination of more nuanced dynamics in Bangladesh, teasing out which factors that are most related to national sourcing dynamics, as opposed to external factors such as the price of cotton and petroleum. The outcomes of this study will be shared in 2017.





CONFERENCE REPORT

On 29 September 2016, 380 high-profile participants from over 190 organizations attended the conference on Sustainable Sourcing in the Garment Sector (SSGS). Amongst the representatives were officials from the Government of Bangladesh, Corps Diplomatique, NGO's, International Organizations, academics, international buyers and brands, as well as suppliers. SSGS was organized by the Embassy of the Kingdom of the Netherlands, in partnership with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), and the International Apparel Federation. The implementing partners were the Bangladesh Apparel Exchange and Nash International.

The Rana Plaza and Tazreen tragedies have illustrated how unsustainable purchasing practices can contribute to adverse labour and human rights impacts in the garment sector. SSGS emphasized the need to advance a common understanding on sustainable sourcing practices in the garment sector, through promoting multi-stakeholder cooperation and presenting best practices. The conference was based on the idea that solutions can be found by addressing the challenges together, by transparent buying and purchasing practices that are agreed upon in the initial stage of a business relationship. The structure of the conference was designed to advance a mutual understanding of sustainable versus unsustainable sourcing, and to showcase new sourcing practices that would be beneficial for all stakeholders in the garment value chain.

The conference was opened by Siddiqur Rahman, President of the Garment Manufacturers Association (BGMEA), who laid out the numerous challenges Bangladesh has faced with regard to workplace safety and working conditions. The industry has actively been working towards completing the remediation process that was initiated after the collapse of Rana Plaza in 2013. Rahman asserted that:

'Our estimate is that by the end of this year almost all remediation tasks in Accord and Alliance factories will be done. Factories under the National Initiative are also expected to complete their remediation by the end of next year, and I hope that our government will take the necessary steps to ensure that.'

Earlier, on July 4, 2016, the Netherlands Minister for Trade and Development Cooperation, Lilianne Ploumen, signed the Dutch Garment and Textile Agreement, which is the first of agreements based on international corporate social responsibility, aimed at making Dutch companies' international supply chains more sustainable. Together with the Governments of Germany and Pakistan, the Netherlands also organized a regional conference in Pakistan, the Asian Living Wage Conference (ALWC), emphasizing the need for realizing living wages through social dialogue in major regional textile and garment producing countries in Asia. SSGS was intended as a follow up on these initiatives of the Government of the Netherlands to advance sustainability practices throughout the global garment supply chain.

The Minister for Trade and Development Cooperation of the Netherlands, Lilianne Ploumen, reiterated that due to a unique concerted effort by governments, NGOs and trade unions, Bangladesh is now home to the world's best and greenest garment factories. However, cut-throat competition in the garment sector is still resulting in some companies cutting corners on the three 'P's': people, planet and profit. On advocating for different purchasing practices, Ploumen argued:

'Key performance indicators used by buyers should not focus so much on price. Other aspects like sustainability targets should be given greater weight. The focus should be on honest, realistic calculation of working hours, the cost of materials, and whether the working conditions are decent and safe. Only then, is profit truly profit.'





GLOBAL TRENDS IN THE GARMENT SECTOR AND OPPORTUNITIES FOR BANGLADESH

Bangladesh has become one of the leading sourcing destinations for the EU and the US. The Government of Bangladesh has set an ambitious growth target for the RMG sector. RMG exports should reach 50 billion USD by 2021, compared to approximately 26 billion USD in 2015. For the most part, the success of the Bangladeshi garment industry is based on low production costs due to a combination of low wages and relatively high productivity. At the same time, the operating margin of production in Bangladesh remains comparatively low. To achieve the 50 billion USD target, Bangladesh aims to brand the industry as highly compliant, diversify its product range, focus on forward and backward supply chain integration, and trade up to new branded market segments that demand more value addition.

The ready-made garment (RMG) sector is considered to be the backbone of the Bangladesh economy, contributing significantly to the development of Bangladesh. To reap the benefits of its economic momentum, focusing on advancing safety standards and working conditions will eventually lead to a healthier and prosperous garment industry. Tofail Ahmed, Minister of Commerce of the People's Republic of Bangladesh stated that with 2.5 million people joining the employment cycle each year, Bangladesh has the advantage of employing a young working generation. Around 4 million people work in the garment sector, of which 60% are women. In addition, Ahmed stated:

'In the fiscal year of 1972-73, our export was only 348 million USD which was earned from only 25 products and 68 destinations. But today we can say with pride that our export this year was 34.24 billion USD of which 28.1 billion USD came from ready-made-garments.'

This report follows the session outline of the conference. The first session addressed the global trends in the garment sector and the opportunities for Bangladesh. The second session discussed the international frameworks for sustainable sourcing, including the draft OECD Due Diligence Guidance for Responsible Conduct. The third session, which was split up in two road-maps, was designed to define the success factors for sustainable production and sourcing in relation to future collaboration models and financing change.

The first session of the conference, moderated by Dhyana van der Pols, Founder of Nash International, aimed to provide an overview of the current stance of the Bangladesh garment industry, the opportunities in the global market space and how Bangladesh can respond to these developments. The market dynamics and trends in the retail landscape were the starting point to discuss how Bangladesh can make use of untapped export potential through new supply chain and sourcing insights.

Ton Wiedenhoff, representative of the International Apparel Federation (IAF), was the first to take the floor. In his speech, he encouraged Bangladeshi factories to diversify their product range and invest in the education of mid-level management. A comparative example was given of China, which

has a product range of over 63 categories, compared to the four product categories that dominate Bangladesh's export market. Whilst Bangladesh is 'too big to fail', the sector should look at ways to improve the sector by building on its main advantages such as (1) labour capacity, (2) the network of the BGMEA with over 3,000 members, and (3) the presence of a generation that is eager to learn. Manufacturers shouldn't sit in the passenger seat, but should be behind the steering wheel to ensure long-term benefits. With regard to achieving sustainability standards, Wiedenhoff added:

'Expand on responsive and responsible fashion, add value and don't isolate CSR and sustainability, but integrate it into your business policy.'



Whilst Bangladesh has faced numerous challenges after the collapse of Rana Plaza, many initiatives have been taken to grow export volumes and advance sustainability practices at the same time. Faruque Hassan, First Vice President of BGMEA, reiterated this statement by highlighting that Bangladesh has maintained its export growth despite the absence of raw cotton. Hassan argued that with the consumer wanting cheap products with high quality, the Bangladeshi industry has been adding value to the global industry by supplying quality products at a reasonable price. Whilst it will continue adding value to the global garment industry, as buyers will continue sourcing from Bangladesh, he added that the price level should be such that investments in sustainability can be made:

'It should also be the buyer's strategy to keep the industry sustainable. Here, I would like to be more specific by stating that without fair pricing, the notion of sustainability will always remain a question. Today, we have the opportunity to enable mutually beneficial relationships. Collective and appropriate action should be taken by all stakeholders in the value chain.'

During the discussions all participants agreed that international buyers have a key role in the debate on sustainable sourcing practices. H&M, one of the largest fashion retailers in the world, has long been committed to creating sustainable fashion. Global Head of Production at H&M, Helena Helmersson, continued the discussion by asserting that for Bangladesh to grow, it needs to address the environmental challenges and the diversification of its product basket.

Many speakers agreed that environmental, social and economic standards need to be translated into sourcing practices. Mohan Seneviratne, Program Manager of Partnership for Cleaner Textile (PaCT), argued that there is a need to innovate sustainability practices such as water-, energy- and chemical management. To illustrate, a resource like natural gas will only be available for the next 15 years, making it imperative to restructure sourcing models by developing alternative and sustainable energy resources. Syed Mohammed Tanvir, who has been a frontrunner in implementing sustainability standards as Managing Director of Pacific Jeans, made

a plea to international brands to invest in education and innovation of environmental standards. Illustrating that environmental compliance needs the same amount of attention as social compliance; he laid out an example of how Pacific Jeans is currently treating (dyeing and washing) a pair of jeans using only one glass of water. Previously, the same process would take up to 70 -80 litres of water.

Another important focal point of this session was the discussion on the comparative advantage of Bangladesh to other textile producing countries. Riaz Hamidullah, High Commissioner of Bangladesh to Sri Lanka, was previously extensively involved in setting up the Sustainability Compact after the collapse of Rana Plaza. Advancing sustainability practices has not only proven to be beneficial in Bangladesh, but also in one of the leading garment industries such as Sri Lanka. Sri Lanka has implemented the "Garment Without Guilt" scheme, creating more awareness about their garment sector being free of sweatshop conditions and child labour. Several training institutions like the Sri Lanka Institute of Textile Apparel (SLITA) were developed, leading to a re-positioning of Sri Lanka as a sourcing destination of quality garments produced under high ethical and manufacturing standards. With the Sustainability Compact, Bangladesh has made important strides in developing a combination of sustainability principles, and is continuing to create institutional space for its implementation.

When opening up the discussion to the audience, Helena Helmersson (H&M) was asked to elaborate on the future of their global sourcing practices. As a response to the question as to whether Bangladesh should fear competition from upcoming producing countries like Ethiopia, she stated:

'I don't really understand this fear of competition. I think competition is good. We are in a very competitive industry and our clothes can enable growth in different sourcing markets. It is important to ask the question as to how we make future growth sustainable, so that we can continue to produce more complex garments and increase proactivity in sustainability areas.'

INTERNATIONAL FRAMEWORK FOR SUSTAINABLE SOURCING

To manage the complexity of business relationships and to strive for new ways to enhance collaborative assessment of all the business processes between a buyer and a supplier, many international initiatives have been taken to advance responsible business conduct. The second session, moderated by Srinivas B. Reddy, ILO Country Director for Bangladesh, was aimed at addressing the production processes from design until product delivery and how all stakeholders can engage in responsible business conduct. The overarching theme was the potential to generate growth, employment and skill development and by doing so preventing adverse impacts on society, human rights or the environment.



For Bangladesh to grow its future exports, Pierre Mayaudon, Head of Delegation of the European Union to Bangladesh, asserted that GSP+ will be the next step for Bangladesh, once it becomes a middle income country. Whilst there is some anxiety of Bangladesh losing its benefit of the 'Everything But Arms' arrangement (EBA), the GSP+ regime will open a transition period of three years during which Bangladesh will have to prepare its application. In comparison with other countries, Bangladesh is one of the few countries that have been capable of making use of EBA. In addition, the initiatives of Accord and Alliance have played an invaluable role in this regard, by diagnosing the overall condition of the garment industry. When Bangladesh has signed, ratified and properly implemented 27 core conventions in the field of human rights, labour rights, environment and government, it will be entitled The next speaker to take the floor was Roel Nieuwenkamp, chair of OECD working party on Responsible Business Conduct. Nieuwenkamp introduced the new Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear, a multilateral agreement defining supply chain responsibility in the garment sector. The Due Diligence Guidance is based on the OECD Guidelines for Multinational Enterprises, the international agreement on corporate responsibility that has embedded the UN Guiding Principles for

Business & Human Rights and the relevant ILO standards. The agreement is agreed by 46 governments and includes a unique grievance mechanism that assists companies in maintaining their ethical company behaviour. This globally active grievance mechanism, also known as the National Contact Points system for responsible business, can be used to file complaints regarding, i.a. child and forced labour, adverse working conditions, living wages, and environmental hazards. Three complaints have been dealt with so far related to the garment sector in Bangladesh. Even though the mechanism is not legally binding, it can have serious consequences with regard to reputation damage, access to economic diplomacy instruments, as well as access to finance. Furthermore, the Due Diligence Guidance is aimed at providing recommendations on how enterprises can apply due diligence in accordance with the OECD guidelines. Nieuwenkamp asserted that when it comes to supply chain responsibility, companies need to be able to identify, locate and prioritize risks throughout their supply chain. He illustrated his argument by stating that the classic audit system has failed as it produced a system of so-called 'plausible deniability' that allows companies to limit their responsibilities. Due diligence goes beyond audits; it is a continuous progress that demands more from both buyers and suppliers regarding their own business conduct. By applying due diligence, brands also need to take a closer look at their pricing models to ensure suppliers are able to commit to decent work and productive employment. In short, Nieuwenkamp stated:

'It is not only suppliers who have to take responsibility; buyers should also apply their due diligence on their own purchasing practices by mapping risks, managing them, and monitoring the response.'

The garment supply chain is increasingly complex, with tremendous consolidation among big retailers and an enormous dispersion amongst buyers. Mark Anner, Associate Professor at Pennsylvania State University, stated that these factors have caused an imbalance throughout the supply chain that has led to hyper-competitiveness. Based on the preliminary findings of his comprehensive survey research in Bangladesh, Anner pointed towards the presence of unhealthy practices of international brands and buyers, which has led to a so-called lead time and price 'squeeze'. The survey results indicate that, on average, the time of payment from buyer to supplier, increased from 22.74 days in 2011 to 30.17 days in 2016. In addition, the average lead time decreased from 94 days in 2011 to 86 days in 2016. When asked if buyers increased prices after the 2013 wage increase, 84.57% of the suppliers answered with a 'No'. Arguably this 'squeeze' has minimized profits for the factories, resulting in negative impacts on the labour conditions of factory workers. To address these issues, Anner argued that there is a growing need to move away from FOB (Free on Board) cost transparency to full chain transparency. In addition, he stated:

'There needs to be discussions between supplier and labour to establish what the fair wages are and benefits should be. That information should then be used for supplier-buyer conversations to talk about setting fair pricing levels.'

He further added that moving towards a fair pricing model where everyone takes responsibility is essential for achieving sustainable growth.

In response, Miran Ali, Managing Director of Bitopi Group, pointed out that whilst Bangladesh has made substantive improvements with regard to workplace safety and labour rights, it still has the tendency to undersell its products and factories. In comparison with Sri Lanka, that once used to be considered as the gold standard with regard to sustainable production, Bangladesh is doing exceptionally well. Currently there are 150 factories in Bangladesh that have applied for Leed certification. In addition many initiatives are being taken to innovate and develop in-house designs. Nonetheless, Ali argued that the key challenge for the Bangladeshi garment industry is not lack of innovation or com-

pliance, but rather poor pricing practices. Whilst most factories are near to completing their remediation activities and are in the process of enhancing their production capacity, these developments are not always reflected in the sourcing practices of international brands or suppliers. In addition, there are also those factories that are dealing with bank overdrafts, low prices, and unsustainable production. Buyers need to take responsibility by making sure that they do not commit to a factory that is underselling itself. In addition suppliers should collaborate better amongst themselves, as well as with NGOs, governments and other development partners to try and understand how existing pricing and productivity challenges can be addressed. Ali completed his talk by stating that it is important to share the 'lessons learned' with other countries to avoid repeating mistakes that were made in Bangladesh. By sharing best practices and promoting global standards, such as those developed by the OECD, the industry can achieve better value, output and productivity.

Peter Rinnebach, Senior Partner at Kurt Salmon Associates, argued there is a need to change the way all stakeholders work together, by going into the collaboration phase much earlier and by focusing on better demand and supply planning, as well as integrating the various processes that are present in the production of garments. Rinnebach illustrated his argument by sharing the results of 25 years of research into the production costs (labour cost, capital and efficiency costs) of 50 different markets globally. He stated that actual production costs are on the rise, with Bangladesh having an increase of approximately +27% in overall production costs. This indicates that both buyers and suppliers will have to look at other areas in the production process to increase their gross margins.

'Across most markets globally, actually production cost are on the rise. This basically means there is no chance in the future of going back to scenarios where we can significantly reduce those production costs. As a brand, I need to look for other places where I can gain or even protect margin.'

As most brands are tightly timed, the average production life cycle may be 4 to 8 weeks. Late product deliveries will result in a reduction of



airtime on the shop floor or sell-through, which in the end will cause a loss in margin. Reliability and predictability in the production process are critical to ensure good margins, according to Rinnebach. When a brand is unable to control the production process efficiently, it may also have adverse effects on sustainability and product quality.

According to a survey of 40 – 50 chief sourcing officers on their production and sourcing priorities, results indicate that brands are not primarily concerned about the reduction of costs or finding cheap production locations. Rather, current priorities are how to do innovation management with suppliers, how to integrate demand and supply planning to align fabric quantities and capacity, and how to do strategic supplier management and develop long-term plans. Still, many brands have a segmented approach to sourcing, without thinking about having one portfolio for their entire supplier base or one calendar for their products. Rinnebach argued that for each of their products, the right model needs to be selected to make sure that the margins are optimal at the end of the day. On the

supplier side, more attention should be spent on which skills, knowledge or capacity can be offered to the market and at what time. He further stated:

'We should think about how we can bring added value to the collaboration model instead of thinking how we can reduce costs. When focusing on the reduction of costs, we also neglect that there are many other factors that are important in protecting margins, or even improving it.'

In addition to streamlining the collaborating and production process of garments, all speakers indicated that good, meaningful dialogue amongst workers, factory owners, buyers and retailers should be reinforced, and that continued discussion on labour rights between buyers, suppliers and trade unions is crucial for improving the garment industry.

SUCCESS FACTORS FOR SUSTAINABLE PRODUCTION AND SOURCING

The dynamic retail and fashion markets force buyers to act fast, make short cycled collections, have tremendous speed to the market and tap into the consumer's brain. As demands from consumers are increasing, buyers struggle to forecast their sales and the performance of their collections.

COLLABORATION MODELS

The dynamic retail and fashion markets force buyers to act fast, make short cycled collections, have tremendous speed to the market and tap into the consumer's brain. As demands from consumers are increasing, buyers struggle to forecast their sales and the performance of their collections. Recent research and analysis of the retail market has shown that the initial mark-up (the difference between the price paid to the supplier and the price charged to the customer), has limited correlation with the realized margin at the end of the cycle: the moment the product ends in the client's cupboard. This is due to high pressure on the retail markets forcing retailers to mark down and to engage in mid-season sales in order to stay ahead of the competition. This all affects their final profitability. In this immensely competitive market, it seems unlikely that the costs of compliance can be passed on to end consumers through price increases. This is not because

consumers would be unwilling to stomach a slight price increase, but because any first mover will be punished by the market. The important question for buyers and suppliers is how to break out of this vicious cycle and to break into upward spirals.

The goal of this session was to discuss the challenges and opportunities with regard to long-term cooperation between buyers and suppliers, as well as other stakeholders in the garment industry. To achieve better collaboration, it is imperative to forge more sustainable and effective partnerships between all stakeholders in the garment value chain, with shared responsibility for social and environmental compliance.

The first speaker to take the floor was Helena Helmersson, Global Head of Production at H&M. Helmersson argued that for Bangladesh to grow in a sustainable way, specific attention needs to be

spent on (1) enhancing social dialogue, (2) advancing water and waste management, and (3) developing competencies to diversify the product basket of Bangladesh. In addition, Helmersson argued that it is important to recognize the additional value of workers in the collaboration process. Increasingly so, workers are raising issues that are important for the welfare of factories in the area of stability, productivity and efficiency. Setting up a road map that moves away from pricing as the cause of all challenges in the garment supply chain, opens up more space to deal with water and waste management, as well as competence development.

Highlighting some of the obstacles in the collaboration process, Edward Southall, Head of Global Sourcing at LC Waikiki, argued that it is mostly the presence of 'management inertia' that is causing some of the challenges between buyers and suppliers. Management inertia is present when managers are unaware of what is going wrong in the production process or what can be improved. Southall asserted this is mainly due to inadequate performance measures, asymmetric information sharing, misaligned incentives and outdated business policies. To achieve a collaborative supply chain, Southall stressed that it is key to develop appropriate performance measures that are present throughout the supply chain, integrate policies and develop strategic partnerships between buyers and suppliers, and share information so that all partners in the supply chain have the ability to see the total picture.

In addition to management discrepancies, Mostafiz Uddin, Director of Denim Expert, argued for the importance of knowledge sharing in the garment sector. On the one hand, Uddin argued that Bangladesh neither has the space nor the capacity to double its export merely through an increase in production volumes. Rather, the envisioned growth should come from high-value products and high-value knowledge, something which Uddin argued is insufficiently present in Bangladesh. Mid-level management workers are often times financially unable to travel to Europe or North America to visit high-fashion stores and get a clear picture of the latest trends and developments. Hence international buyers, who have the ability to connect high-street fashion with the production process, are best equipped to share their vision and guide their suppliers. On the other

hand, Bangladeshi suppliers should be more reflective when it comes to branding and developing the Bangladeshi garment industry. For example, whilst Bangladesh is being branded as one of the leading exporting nations worldwide, it only has one university focused on textiles. To enable the envisioned growth, more collaboration is needed on knowledge sharing, innovation and capacity building. Uddin ended his contribution by stressing that:

'Knowledge is a partnership, knowledge is key to sustainability'.

While the responsibility of workers' rights is often directed towards the supplier, Mahmud Hassan Khan, Director of Rising Fashions, indicated that the international buyer needs to step into the process of ensuring good working conditions by having realistic production demands. He stated that to enable sustainable sourcing, all stakeholders need to work together on advancing compliance standards, including labour rights and workers safety. Contrary to Uddin however, Khan argued that the necessary capacity for enabling positive growth is present in Bangladesh, but that the main issue lays in branding the Bangladeshi garment sector more generally. There is an urgent need to brand the garment sector in a positive manner and in order to do so, assistance is necessary from all sectors, especially the media.

Erica van Doorn, Director of Fair Wear Foundation, emphasised the necessity of transparency in the sourcing process, as well as the need to establish strategic partnerships between buyers and suppliers. Van Doorn argued that the discussions surrounding the decline of product price illustrate the need to redesign the collaboration process in the garment industry. Buyers have an important role in this regard, as they can take the lead in publishing reports on their activities with regard to implementing decent labour conditions. She argued that this will allow all stakeholders in the value chain to learn from achievements or improvement areas. Van Doorn illustrated her argument by describing the positive developments of the collaboration process of several outdoor brands. Over the course of six years, these brands have started working together on a range of areas in the sourcing process, despite being competitors. When a brand is in need of a new sourcing location, it



will first contact another (outdoor) brand to see if they can source at the same location, taking it as an opportunity to work together. Van Doorn closed her presentation by stating that, 'this is the kind of alignment and cooperation that we need more of.'

When opening the discussion up to the audience, Debashish Kumar Saha, Managing Director of Fakir Apparels, was the first to make a statement regarding the collaboration process of buyer and suppliers. He stated:

'When talking about collaboration, do we believe we are really working together? Is everyone willing to show the same amount of commitment? We shouldn't pretend to collaborate, but actually commit to long-term partnerships.'



Rubana Huq, Director of Mohammadi Group and moderator of the session responded by stating that there is hardly any room for stakeholders to 'pretend' to be working together. There is a growing need for all stakeholders to 'do good, look good, and feel good.'

Roger Hubert, Bangladesh Country Director of H&M, responded to the discussion by following up on the question as to whether all stakeholders are ready to fully commit to the collaboration process.

'We talk about brands and whenever there is blame to raise the topic of discussion is the responsibility of brands. But let's talk about commitment and collaboration that goes beyond brands. It is not only brands who buy from Bangladesh, but there are also buyers from various types of businesses. There needs to be a selection. We, as brands, select our suppliers based on their performance and commitment going forward. I would like to ask

the suppliers in this room, can you make the same choices, going along with those buyers that are committed to the development of the country?'

As a response to Hubert's statement, a manufacturer from the audience argued that whilst the Bangladeshi garment industry has invested in international compliance standards for a long period of time, some brands are still not willing to pay the right price.

'I believe that there needs to be a selection based on factory standards. All BGMEA members have invested heavily into social and environmental standards. In fact, nowadays, it is impossible to do business without complying with international standards as BGMEA does not give any membership to those factories that are non-compliant. However, whilst some buyers will pay the right price, a lot of non-branded brands are not paying.'

Roel Nieuwenkamp took the discussion to the responsibility of brands and asked both H&M and LC Waikiki if their sustainability criteria are part of their bonus structure.

'We have two sourcing directors on stage, showcasing the development of sourcing practices in the sector. A couple of years ago it would have been the CSR directors who would be on stage. It is a sign of having CSR practices incorporated in the core functions of the company. However, I would like to ask an inappropriate question. Both Helena and Edward have talked about misaligned incentives within companies. I would like to ask, how much of the bonuses of the people working for you depend on sustainability criteria. And secondly, how much of 'your' bonuses are depending on sustainability criteria?'

Helena Helmersson, H&M, responded to the question by stating that H&M does not work with bonus systems. In addition she added that while she was previously Head of Sustainability, she is currently Head of Production, showcasing the integration and commitment of sustainability practices within the company. Lastly, Edward Southall, positively acknowledged that LC Waikiki works with a bonus system based on sustainability criteria.



FINANCING CHANGE

To stay ahead of the competition in retail markets that are subject to tremendous price pressure, the Bangladeshi garment industry is increasingly investing in people and technology to boost productivity. Manufacturers are taking leaps forward and are investing in state of the art factories, coupling increased productivity with improved labor conditions, safety and sustainability. Of course, higher compliance standards require investments, either through higher operational costs or upfront capital expenditure. Factory owners faced with high investment costs need reassurance that their buyers will continue to place sufficient orders at feasible price levels. The development of costs and prices of garments in Bangladesh needs to be reflected upon in view of sustainable sourcing and buying practices.

The second road-map session of session three, *financing change*, was aimed at identifying examples of ways to invest in higher productivity and value added services as well as in social and environmental compliance.

Jef Wintermans, then Director of Modint, asserted that the sector can benefit substantively by redefining the existing Workers' Welfare Fund. Whereas the means of the current Welfare Fund are supplied

by Bangladeshi manufacturers and exporters, introduction of an Export Levy by the Bangladesh Government of, for instance, 0.5 or 1% of the FOB price, would create more space to implement change.

'(..) My plea for a broad plan, supported by all interested parties, would provide for the fund needed as well as the ways to create the change needed within the Bangladeshi industry - to insure healthy, responsible and sustainable developments.'

The fund could be used in specific areas such as in universities, schools and training centres, providing education and training for top-level management as well as mid-management. In addition, international organizations could use the Fund for programs aiming to improve the wellbeing of children and women's rights. Through international affiliation, labour unions could invest in their professionalism and effectiveness in representing the interests of their members, the workers in the industry.

Roel Messie, Netherlands Business Director at the Dutch development bank FMO, reflected on the focus areas of FMO's programs that have resulted in higher productivity in some of their (client) fac-

tories. When entering into a discussion with clients on complying with international standards, Messie indicated that FMO mainly look at improvements with regard to (1) hours and wages, (2) production efficiency, as well as (3) social dialogue. This so-called triangle has been proven to reduce absence from 35% in 2012 to 1.1% in 2015, and reduce the turn-over of staff from 4.7% in 2012 to 2.9% in 2015. To create financial space for innovation, Messie asserted that buyers and suppliers need to move away from a cost relationship and focus on improving social conditions and production efficiency. In addition Messie also stated that for Bangladesh to grow its future export, the necessary investments have to be made pertaining to infrastructure. By investing in transportation between Dhaka and Chittagong through relocating to inland water ways, transportation costs and time can be reduced significantly.

The latter remark was also acknowledged by Mohammed Nasir, Director of Finance at BGMEA. Combined with current infrastructural issues as well as a lack of financial means, many producers are experiencing an uphill journey in Bangladesh. Nasir argued that international buyers should be willing to support good pricing practices and that

the Government of Bangladesh should facilitate in providing assistance or simplifying regulatory methods with regard to financial policies, especially for obtaining foreign currency loans. He asserted that the Ministry of Finance of the Government of Bangladesh should take initiative to liberalize banking loans, so that financial means become available for those producers that are in need of support. Nasir finalized his contribution by stating that more attention is needed on the welfare of the workers, by focusing on healthcare, accommodation, as well as education.

Moderator Rubana Huq introduced the next speaker, Rob Wayss, Executive Director of the Bangladesh Accord on Fire and Building Safety, as one of the critical players to put positive pressure on the remediation process of the Bangladesh garment industry. Wayss pointed out that the Accord has been continuously supporting the remediation process in Bangladesh. It has looked after the compliance system as well as the financial feasibility of the remediation process. Due to the remediation process that is near to 70% of its completion rate in Accord factories, workers are much safer than they were two years ago. Wayss argued that Bangladesh is one of the few supplying countries that can claim

that the factories have been inspected by qualified engineers. Whilst the Accord has delivered unprecedented results however, some challenges need more support from the government. The Accord is working actively on various remediation loan instruments with limited success, as banks are not willing to commit to those factories that might be more prone to financial risks. Wayss asserted that the Government of Bangladesh could be more involved in supporting the industry by ensuring access to remediation financing.

Mahmoodun Nabi Chowdhury, in his capacity as Head of Corporate Banking at Brac Bank, reiterated Wayss' concerns about the challenges small and medium enterprises face when applying for loans. Whilst the larger suppliers have relatively good access to finance, either from banks or from international brands, the SMEs need most assistance. Currently the main issue is not pricing per se, but for suppliers to obtain approval for receiving credit loans. Considering most banks have quotas for green and energy financing, the current update of loans is relatively low, which is mainly due to the presence of lengthy application processes. For suppliers, the main priority is getting more orders. Chowdhury added:

'When talking about sustainable sourcing and financing, the SME segment is where financing needs to be done. The banks need to come out of their comfort zone and invest into their capacity such as lending processes, technology and people. They need to train them so that they understand the needs of their SME clients.'

When opening up the floor to the audience, the discussion evolved mainly around the infrastructural issues of Bangladesh. Kihak Sung, Chairman of Youngone Corporation, a global manufacturer of outdoor clothing, voiced his confidence concerning the objective of the Government of Bangladesh to reach 50 billion USD before 2021. In order to do so, he stated that:

'The expansion should not be the goal, you should be able to make profit in a sustainable way so that it can trickle down into society. To double Bangladeshi business, we first need to address infrastructural problems. Then we can move into sustainability.'

The role and responsibilities of buyers was a recurring topic throughout the conference. Some brands indicated that they have been assisting the Bangladeshi factories with their remediation process. While a certain degree of responsibility should be taken by international buyers, suppliers should also choose their partners wisely to ensure long-term and strategic partnerships.





CONCLUDING REMARKS

The Sustainable Sourcing in the Garment Sector conference was designed to develop a better understanding of sustainable versus unsustainable sourcing practices in the garment value chain. During the conference, various speakers touched on the success factors for sustainable production and sourcing, and highlighted those areas in need of more development.

The discussions showed that further improvements of social and environmental compliance cannot be seen in isolation from sustainable sourcing practices and the competitive position of the Bangladesh garment industry. During the conference, buyers, suppliers, financial institutions, academics and NGOs all recognized the power of investments in the Bangladeshi garment industry. Sharing responsibilities as well as the financial burden of investing in improvements, was seen as essential for maintaining sustainable growth. The conference highlighted the need to move away from cost dependency, towards a sourcing model focused on long-term partnerships, innovation and timing. In addition, the IAF indicated that low-cost dependency has illustrated the relentless devaluation of clothing as well as the limited space for investments in compliance and sustainability. Future growth plans need to be based on diversifying the product basket and upgrading into new market segments, as opposed to increasing volumes.

Debapriya Bhattacharya, Distinguished Fellow at Center for Policy Dialogue (CPD), summarized the findings of the conference and asserted that there is a growing need for long-term partnerships where responsibilities and power are distributed more equally across all stakeholders in the garment value chain. All stakeholders need to move away from pricing as the main issue in the garment value chain, and look at ways to enhance collaborative and reliable partnerships. He further added to his contribution by stating that, amidst the presence of a myriad of international frameworks, more clarity and understanding is needed for the adoption of suitable guidelines in Bangladesh. He concluded his speech by highlighting:

'People's lives do not pursue conclusions, life pursues beginnings. It was a great beginning today, a beginning of a great conversation, a great journey for Bangladesh. I call upon you to join that journey in this adventurous track we have in front of us.'



In his closing remarks, Md. Shahidul Haque, Foreign Secretary of the People's Republic of Bangladesh, reiterated the importance of long-term cooperation in the area of environmental compliance. Bangladesh's capacity to develop has led to a booming garment industry, with a growing number of world class, Leed certified manufacturing plants. Md. Shafiu Islam, First Vice President, Federation of Bangladesh Chambers of Commerce and Industry, reflected on the commitment of the Bangladeshi garment industry to bring positive change, with continued support from the international community.

In her closing remarks, Lilianne Ploumen, Netherlands Minister for Foreign Trade and Development Cooperation, reiterated the importance of common interest between buyers and producers. In a highly competitive context, partnership is important but not easy to avail. The Netherlands will continue its support in the follow-up of the ILO programs such as the Better Work programme, as well as the activities of Accord and Alliance. With the ambition of reaching 50 billion USD in 2021, Bangladesh is at the forefront of creating more sustainable jobs for both women and men. She closed her remarks by stating that:

'When setting the target of 50 USD billion, an employment figure needs to be added. Those jobs then need to be based on a living wage. Only then, the industry can be sustainable.'

PROGRAM CONFERENCE ON SUSTAINABLE SOURCING IN THE GARMENT SECTOR (SSGS)

September 29TH 2016 Dhaka - Bangladesh

08:30	REGISTRATION AND COFFEE	13:05 - 14:00	LUNCH
09:30	INTRODUCTION AND WELCOME Siddiqur Rahman, President of the Bangladesh Garment Manufacturers and Exporters Associations (BGMEA).	14:00	THIRD SESSION Success factors for sustainable production and sourcing CHAIR: Rubana Huq, Managing Director, Mohammadi Group.
09:35	OPENING ADDRESS	14:00 - 15:30	<i>Road map 1: Solutions and collaboration models</i> <ul style="list-style-type: none">• Ms. Helena Helmersson: Global Head of Production H&M.• Mr. Edward David Southall: Head of Global Sourcing at LC Waikiki.• Mr. Mostafiz Uddin: Owner and Managing Director at Denim Expert Ltd.• Mr. Mahmud Hasan Khan, Managing Director, Rising Group.• Ms. Erica van Doorn, President Fair Wear Foundation.
09:35 - 09:50	Speech by H.E. Lilianne Ploumen, Hon'ble Minister for Foreign Trade and Development Cooperation of the Netherlands.		DISCUSSION
09:50 - 10:05	Speech by Chief Guest, H.E. Tofail Ahmed, Minister of Commerce, Government of the People's Republic of Bangladesh.	15:30 - 16:00	TEA BREAK
10:05 - 10:15	SHORT BREAK	16:00 - 17:30	<i>Road map 2: Financing change</i> <ul style="list-style-type: none">• Mr. Jef Wintermans: Director Economic and Technical Affairs at Modint.• Mr. Roel Messie: Director NL Business at FMO.• Mr. Mohammed Nasir, Vice President Finance at BGMEA.• Mr. Rob Wayss: Executive Director, Accord on Fire and Building Safety in Bangladesh.• Mr. Mahmoodun Nabi Chowdhury: Head of Corporate Banking at Brac Bank.
10:15 - 11:15	FIRST SESSION Global trends in the garment sector and opportunities for Bangladesh. CHAIR: Dhyana van der Pols, Nash International. KEYNOTE SPEAKERS: <ul style="list-style-type: none">• Mr. Ton Wiedenhoff: Project director International Apparel Federation (IAF).• Mr. Faruque Hassan: Senior Vice President, Bangladesh Garment Manufacturers and Exporters Associations (BGMEA). PANEL DISCUSSION <i>Opportunities & untapped potential for the garment sector in Bangladesh</i> <ul style="list-style-type: none">• Ms. Helena Helmersson: Global Head of Production H&M.• Mr. Mohan Seneviratne: Program Manager of Partnership for Cleaner Textile (PaCT).• Mr. Syed Mohammed Tanvir: Managing Director of Pacific Jeans.• Mr. Riaz Hamidullah: High Commissioner of Bangladesh to Sri Lanka.	17:30 - 17:45	SUMMARY: Debapriya Bhattacharya, Distinguished Fellow at Center for Policy Dialogue (CPD)
11:15 - 11:35	COFFEE BREAK	17:45	CLOSING REMARKS CHAIR: Mr. Md. Shahidul Haque, Foreign Secretary, Government of the People's Republic of Bangladesh.
11:35 - 13:05	SECOND SESSION International framework for sustainable sourcing: setting the outline for future collaboration. CHAIR: Srinivas B. Reddy, ILO Country Director Bangladesh. KEYNOTE SPEAKERS: <ul style="list-style-type: none">• Mr. Pierre Mayaudon: Ambassador & Head of European Union Delegation to Bangladesh.• Mr. Roel Nieuwenkamp, Chair of the OECD Working Party on Responsible Business Conduct.• Mr. Mark Anner: Associate Professor of Labor & Employment Relations at Penn State University.• Mr. Peter Rinnebach: Senior Partner Kurt Salmon Associates.• Miran Ali: Managing Director, Bitopi Group. DISCUSSION	17:45 - 17:50	Speech by Md. Shafiul Islam, First Vice President Federation of Bangladesh Chambers of Commerce and Industry (FBCCI)
		17:50 - 17:55	Closing remarks by H.E. Lilianne Ploumen, Hon'ble Minister for Foreign Trade and Development Cooperation of the Netherlands.
		18:00 - 19:30	NETWORK EVENT



SPEECH BY LILIANNE PLOUMEN,

Minister for Foreign Trade and Development Cooperation,
at the Conference on Sustainable Sourcing in the Garment Sector,
29 September 2016, Dhaka

Ladies and gentlemen,

We've achieved a great deal since the spring of 2013, when over eleven hundred people died in the rubble of Rana Plaza. In a unique concerted effort, governments, the garment industry, NGOs and trade unions have managed to prevent the sector from turning its back on Bangladesh. Millions of jobs have been saved, and this country is now home to some of the world's best and greenest garment factories.

Thanks to a new inspection system, all export factories have been inspected, the most dangerous factories have been closed down, and improvements have been set in motion. Of course, there's still a lot to do to make the industry truly safe and sustainable. But things are now on the right track.

At the same time, new problems are emerging. Everyone wants corporate social responsibility, but that calls for considerable investment. Which is a problem. That's why financing CSR is high on today's agenda, alongside the key question of this conference: how can things be made simultaneously smarter, more efficient and fairer?

Some companies are still cutting corners on the three 'P's': people, planet and profit. In the past I've talked a lot about the 'P' for people. For instance about the need for a living wage and safe working conditions. Let me now say something about the 'P' for profit.

Cut-throat competition on retail prices means that many brands are trying to cut production costs. Producers in Bangladesh have made expensive improvements to their factories. Yet studies show that in 2015 they were being paid only 1 per cent more than in 2012. Clearly, this is untenable.

When brands manage to cut prices through innovation, bulk buying, effective partnerships with producers, sound logistics, low advertising costs and simple outlets, that's a smart way of doing business. But holding a gun to producers' heads is a different matter entirely. Low prices are fine by me – as long as they don't lead to unsustainable practices.

So I advocate different purchasing practices. The key performance indicators used by buyers shouldn't focus so much on price. Other aspects, like sustainability targets, should be given greater weight. How can the environmental burden be reduced? How much water is used in the production process? How much pollution is caused? Above all, the focus should be on honest, realistic calculations of working hours, the cost of materials, and whether working conditions are decent and safe. Only then is profit truly profit. For everyone involved: producers, workers, clothing brands and consumers.

We need to realise that it is those last few euros that make the difference between a garment that has been produced fairly and a garment that results from exploitation. Consumers are becoming more and more alert to this. I sense a growing awareness to pay more for clothing if it means you're not buying 'blood garments'.

That partly explains the success of companies that have tried a different approach. Like Misami Garments. That company managed to break away from the rat race at the bottom end of the market in Bangladesh. And in recent years it's won a number of prizes for sustainability, decent wages and environmentally friendly production methods. Yet it still makes a healthy profit!

The findings of an ILO study published this week back up this approach. Independent research into the impact of the ILO Better Work programme shows that in the long term, better working conditions do not increase costs. On the contrary: they are a good investment and essential to success. Factories with better working conditions, CSR compliance and competent monitoring bodies have greater labour productivity and higher profits. Recruiting and training female managers, in particular, boosts productivity by dozens of percentage points.

Yet the race to the bottom is still in full swing. And that isn't just about prices. Other purchasing practices also play a role. Effective cooperation between producers and buyers is hampered by unreasonably short delivery deadlines, the regular late cancellation of orders, lack of transparency and lack of trust.

To stop the race to the bottom and make the sector healthy again, producers and brands need to work together much more. This will also put a stop to the unacceptable practices of some producers, including paying low wages, systematically imposing overtime, and subcontracting to factories that flout the rules. The purchasing process must become much more of a dialogue – a sustainable sourcing dialogue.

I'd like to break a lance here for transparency in the purchasing process. I see an important role for the Sustainable Apparel Coalition, or SAC. The SAC has already set up a database with an environmental index – a most welcome step! Now it's set to be expanded with an index on working conditions. In time, these instruments should replace the present system of expensive and time-consuming assessments. So the Netherlands gives the SAC its full support – the first national government to do so. I'm glad that so many brands and producers have joined this initiative. I urgently call on all those who haven't yet done so to join now.

Transparent pricing can also promote sustainability. At present, brands sometimes scarcely pay the cost price. But I say to producers: have the courage to sometimes say 'no'. You are not powerless. You can share your experience of brands with the outside world. Make use of your online presence and the transparency it gives. Others can see this information. It gives you a power that brands really need to take seriously.

Online presence can also play a positive role in the sustainable sourcing dialogue I envisage. Today you will be treated to ideas about smarter planning, more efficient processes, scope for reducing costs and sharing information with the entire value chain, from raw materials to retail. More transparency should lead to greater mutual understanding and shared responsibility. In turn this will result in closer and more efficient partnerships, and greater involvement of the producer in the rest of the value chain. Everyone stands to gain. That's the basis for a sustainable sourcing dialogue.

So at my request, the International Apparel Federation is going to develop a training model for sustainable sourcing. Training will show both buyers and producers how the purchasing process can contribute to greater efficiency and promote the achievement of sustainability targets, including healthier profits. How can brands and producers establish a long-term relationship and align their processes better? What agreements can be made, so that a purchasing brand can encourage producers to work cleanly and safely? How can a group of purchasing brands promote broader agreement about a living wage among the producers they buy from? How can you make costs transparent throughout the entire chain? How should brands and producers react when faced with negative publicity about the violation of CSR norms in their companies?

The training courses will be devised for use in different countries. But the first pilot will take place in Bangladesh. This is a logical next step in a trajectory that we set in motion after Rana Plaza. Partnerships are increasing not just in producer countries, but also in consumer countries. The Netherlands and Germany, for instance, have concluded international CSR textile agreements containing all kinds of sustainability arrangements between businesses, government, NGOs and trade unions.

Companies must chart the risks in their chain, draw up a plan of action and report on it. In the Netherlands, firms will have to identify their producers, just as under the Bangladesh Accord. Should fire break out in a factory in Bangladesh, we can immediately see whether its buyers include Dutch brands. Or if a complaint is made about a certain producer – for instance about violating trade union freedom – it can be submitted to the secretariat of the Dutch agreement. They will then pass on the complaint to the Dutch company and ensure that action is taken.

The Netherlands, Germany and big fashion chains like H&M, C&A and Primark want to promote living wages. Which leading producers in Bangladesh would like to sign up to a labour agreement for the industry? I can tell you are dubious. Will those chains really pay more for products from factories that comply with sectoral agreements on a living wage? Let me refer once again to my remarks on calculating fair prices for products, the importance of healthy profit margins, the influence of transparency and the power of consumers. You now know my answer to that question.

Let me conclude. The aim of this meeting is to jointly address producers and buyers. Your interests do not conflict. Use this conference as a springboard to more partnership and dialogue. Everyone will benefit: The producer, the worker, the buyer and the consumer. Sustainable sourcing is the right way forward.

Thank you.

For further information regarding this conference report, please contact the Embassy of the Kingdom of the Netherlands in Dhaka at DHA-EA@minbuza.nl

Sustainable Sourcing in the Garment Sector Conference: www.ssgs-bd.com.
Embassy of the Kingdom of the Netherlands: www.bangladesh.nlembassy.org.



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